

Australia ranks third on iPad pricing

Economic trends

- In January 2007 CommSec launched an iPod index as a way of looking at issues such as the impact of currency changes on consumer spending, globalisation and retailer margins. In this latest update we switch our attention to the Apple iPad in light of its recent world-wide launch.
- The Apple iPad is now available in 10 countries, and on current exchange rates, Australia is the third cheapest place to buy the new gadget.

What does it all mean?

- The CommSec iPod index was designed as a modern day variant of the long-running Big Mac index compiled by *The Economist* magazine. Both indexes work on the theory of 'same good, same price'. That is, the same good should trade at broadly the same price across the globe if exchange rates are adjusting properly.
- But a fresh test of this Purchasing Power Parity theory is the new Apple iPad product. This gadget is also sold identically across the globe, so by theory the only difference in pricing should be freight charges and local taxes.
- Interestingly, when expressed in US dollars, the price of the new iPad is similar in Australia, Canada and Japan and not far away from the pricing in the US. But in the UK, Germany, France and Italy an iPad costs 20-25 per cent more than in the US. The question is whether Apple has priced its product too high for the European market or whether the UK pound and Euro need to depreciate further to bring global pricing into line.
- Certainly both the Euro and UK pound have weakened in recent months on concerns about high budget deficits and debt levels. And strategists – including those at CBA – believe that these currencies may need to fall further in coming months (or US dollar strengthen) to boost export competitiveness in those regions, and therefore economic growth. More generally the CommSec iPad and CommSec iPod indexes suggest the US dollar needs to lift against major currencies, but more so against the Euro and pound sterling.
- Australian travellers to the US can still save money by buying their Apple products while on holiday. Travellers can save \$24 (12 per cent) on a 8gb iPod nano, \$213 (20 per cent) on a 32gb iPhone and \$68 on a 64gb Wi-Fi+3G iPad by purchasing the goods in the US rather than Australia. But overall Aussie gadget lovers have few reasons to be disappointed about the prices they are paying for their shiny new iPads. On current exchange rates iPads cost \$40-60 more in Australia than the US, but if the exchange rate fell to around US80c then prices would be line ball. But iPhones are a different question – prices in Australia appear high compared with other countries.

Australia Third Cheapest for iPad US dollars

	iPod nano		iPhone			iPad					
	8gb	16gb	8gb	16gb	32gb	16gb	32gb	Wi-fi 64gb	16gb	Wi-fi+3G 32gb	64gb
Australia	\$169	\$211	\$609	\$744	\$881	\$533	\$643	\$744	\$677	\$786	\$888
US	\$149	\$179	\$499	\$599	\$699	\$499	\$599	\$699	\$629	\$729	\$829
Canada	\$160	\$189				\$520	\$615	\$710	\$643	\$738	\$833
UK	\$170	\$199	\$504	\$649	\$793	\$620	\$721	\$865	\$764	\$865	\$1,010
Germany	\$171	\$207				\$612	\$735	\$858	\$735	\$858	\$980
Switzerland	\$172	\$215				\$560	\$672	\$775	\$689	\$801	\$905
Spain	\$171	\$207				\$588	\$710	\$833	\$710	\$833	\$956
Italy	\$175	\$213	\$612	\$735	\$858	\$612	\$735	\$858	\$735	\$858	\$980
France	\$183	\$220				\$612	\$735	\$858	\$735	\$858	\$980
Japan	\$162	\$195				\$536	\$645	\$755	\$678	\$788	\$898
Hong Kong	\$150	\$178	\$576	\$692	\$807	na	na	na	na	na	na

Source: Apple, CommSec

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